

AUDIT REPORT  
AND  
SUPPLEMENTAL DATA FOR  
HOUSING AUTHORITY OF THE CITY OF BROKEN BOW  
BROKEN BOW, OKLAHOMA

JUNE 30, 2013

KERSHAW CPA & ASSOCIATES, PC

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HOUSING AUTHORITY OF THE CITY OF BROKEN BOW  
BROKEN BOW, OKLAHOMA  
JUNE 30, 2013

TABLE OF CONTENT

	<u>PAGE</u>
INTRODUCTORY SECTION:	
BOARD OF DIRECTORS	3
FINANCIAL SECTION:	
INDEPENDENT AUDITOR'S REPORT	4-6
REQUIRED SUPPLEMENTARY INFORMATION: MANAGEMENT'S DISCUSSION AND ANALYSIS	7-15
BASIC FINANCIAL STATEMENTS:	
EXHIBIT A    STATEMENT OF NET POSITION	16
EXHIBIT B    STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN TOTAL NET POSITION	17
EXHIBIT C    STATEMENT OF CASH FLOWS	18
NOTES TO THE FINANCIAL STATEMENTS	19-24
REQUIRED SUPPLEMENTARY INFORMATION:	
SCHEDULE 1 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	25
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	25
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	26-27
REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	28-30
OTHER SUPPLEMENTARY INFORMATION:	
SUMMARY STATUS OF PRIOR YEAR AUDIT FINDINGS	31
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	32
FINANCIAL DATA SCHEDULE	33-37

HOUSING AUTHORITY OF THE CITY OF BROKEN BOW  
BROKEN BOW, OKLAHOMA  
JUNE 30, 2013

BOARD OF DIRECTORS

<u>NAME</u>	<u>POSITION</u>	<u>TERM EXPIRES</u>
Howard Minor	Chairman	7-5-2014
Midge Moore	Vice Chairman	7-5-2016
Clarisse Cubit	Commissioner	7-5-2016
Scott Brumley	Commissioner	7-5-2015
Keith Sanders	Commissioner	7-5-2015

Unaudited

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Housing Authority of the City of Broken Bow  
Broken Bow, Oklahoma

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the Housing Authority of the City of Broken Bow, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in accordance with Oklahoma Statutes. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made, by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Housing Authority of the City of Broken Bow, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Housing Authority of the City of Broken Bow's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* and Financial Data Schedule, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Housing Authority of the City of Broken Bow.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to

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prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The introductory section listed in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Authority. Such additional information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

## *Other Reporting Required by Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated January 28, 2014, on our consideration of the Housing Authority of the City of Broken Bow's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in compliance with *Government Auditing Standards* in considering Housing Authority of the City of Broken Bow's internal control over financial reporting and compliance.

*Kershaw CPA & Associates, P.C.*  
Kershaw CPA & Associates, PC

January 28, 2014

## **Housing Authority of the City of Broken Bow**

Management's Discussion and Analysis (MD & A)  
June 30, 2013

## **Housing Authority of the City of Broken Bow**

Management's Discussion and Analysis (MD & A)  
June 30, 2013

Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their *Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999.

Our discussion and analysis of the financial performance for the Housing Authority of the City of Broken Bow provides an overview of the financial activities for the fiscal year ended June 30, 2013. Please read the MD&A in conjunction with the Housing Authority's financial statements.

### **Financial Highlights**

#### **Assets:**

As of June 30, 2013, total assets were \$7,517,561 as compared to \$7,655,574, as of June 30, 2012, a decrease of \$138,013. Current assets decreased \$15,541 and capital assets decreased \$122,472.

#### **Liabilities:**

Total liabilities increased \$113,322 due to increases in current liabilities of \$303,331 with decreases in non-current liabilities of \$190,009.

#### **Revenues:**

In 2013, total revenue decreased \$118,942 as compared to 2012, due to decreases in other income and Federal Grants & Subsidy revenue.

#### **Expenses:**

Total expense decreased \$142,463 due to decreases in administrative, routine maintenance, general, tenant services, and non-routine expenses.

For accounting purposes, the Housing Authority is classified as an enterprise fund. Enterprise funds account for activities similar to those found in the private business sector where the determination of net income is necessary, or useful, for sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which assets and liabilities associated with the operation of these funds are included on the Statement of Net Position. The focus of enterprise funds is on income measurement which, together with the maintenance of equity, is an important financial indicator.

### **Overview of the Financial Statements**

This annual report includes this Management Discussion and Analysis report, the Basic Financial Statements and the Notes to the Financial Statements. This annual report also contains the Financial Data Schedule (FDS) as referenced in the section of Supplemental

## **Housing Authority of the City of Broken Bow**

Management's Discussion and Analysis (MD & A)  
June 30, 2013

Information Required by HUD. The financial statements are presented as fund level financial statements because the Housing Authority only has proprietary funds.

The financial statements report information using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about the Housing Authority's activities. The Statement of Net Position includes assets and liabilities plus provides information about the nature and amounts of investments in resources (assets) and obligations to the Housing Authority's creditors (liabilities). It also provides the basis for evaluating capital structure plus assessing liquidity and financial flexibility.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Fund Net Position. This statement measures the success of the Housing Authority's operations over the past year and can be used to determine whether it has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness.

The Statement of Cash Flows reports cash receipts, cash payments, net changes in cash resulting from operating, investing, and financing activities, and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The section Supplemental Information Required by HUD contains the Financial Data Schedule (FDS). HUD has established Uniform Financial Reporting Standards that requires the Housing Authority to submit financial information electronically to HUD using the FDS format. This financial information has been electronically transmitted to the Real Estate Assessment Center (REAC) for the year ended June 30, 2013.

## **Financial Analysis**

One of the most important questions asked about the Authority's finances; "Is the Housing Authority as a whole better off, or worse off, as a result of the achievements of the reported fiscal year?" The information presented in this Management's Discussion and Analysis is to assist the reader in answering this question.

The basic financial statements are The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position. The Statement of Net Position provides a summary of the Housing Authority's assets and liabilities as of the close of business on June 30, 2013. The Statement of Revenues, Expenses, and Changes in Fund Net Position summarize the revenues and sources of those revenues generated and the operating expenses incurred for the year ended June 30, 2013.



## Housing Authority of the City of Broken Bow

Management's Discussion and Analysis (MD & A)

June 30, 2013

The Broken Bow Housing Authority accounts for its housing activities in four programs; a low rent program that provides housing for qualified tenants, a capital fund program that the Housing Authority uses for improvements to its low rent property, a Section 8 Housing Choice Voucher program that provides rental assistance to qualified individuals living in private housing, and a state/local (affordable housing) program. The following analysis focuses on the net position and the change in net position as a whole and not the individual programs.

<b>Net Position</b>				
June 30,				
	<u><b>2013</b></u>	<u><b>2012</b></u>	<u><b>Change</b></u>	<b>% of Change</b>
Current Assets	\$2,202,704	\$2,218,245	(\$15,541)	-0.70%
Capital Assets, Net	\$4,077,357	\$4,199,829	(\$122,472)	-2.92%
Non-Current Assets	<u>\$1,237,500</u>	<u>\$1,237,500</u>	<u>\$0</u>	<u>0.00%</u>
<b>Total Assets</b>	<u><b>\$7,517,561</b></u>	<u><b>\$7,655,574</b></u>	<u><b>(\$138,013)</b></u>	<u><b>-1.80%</b></u>
Current Liabilities	\$523,163	\$219,832	\$303,331	137.98%
Non-Current Liabilities	<u>\$1,305,487</u>	<u>\$1,495,496</u>	<u>(\$190,009)</u>	<u>-12.71%</u>
<b>Total Liabilities</b>	<u><b>\$1,828,650</b></u>	<u><b>\$1,715,328</b></u>	<u><b>\$113,322</b></u>	<u><b>6.61%</b></u>
Net Position:				
Invested in Capital Assets	\$4,077,357	\$4,199,829	(\$122,472)	-2.92%
Restricted Net Position	\$31,921	\$51,804	(\$19,883)	-38.38%
Unrestricted Net Position	<u>\$1,579,633</u>	<u>\$1,688,613</u>	<u>(\$108,980)</u>	<u>-6.45%</u>
<b>Total Net Position</b>	<u><b>\$5,688,911</b></u>	<u><b>\$5,940,246</b></u>	<u><b>(\$251,335)</b></u>	<u><b>-4.23%</b></u>

### Assets:

Current assets are resources that are reasonably expected, based on the plans and intentions of the Authority, to be converted into cash or its equivalent during the current operating cycle.

As of June 30, 2013, current assets were \$2,202,704 as compared to \$2,218,245, as of June 30, 2012, a decrease of \$15,541. Current assets decreased primarily because available assets were used to cover part of operating expenses. The change consisted of decreases in accounts receivables (mainly HUD and notes receivables) of \$61,472 and investments of \$35,528 with increases in cash/cash equivalents of \$54,761, assets held for sale (associated with the affordable housing program) of \$19,709, and prepaid expenses (insurance and payroll withholdings) of \$6,989.

Unaudited

## **Housing Authority of the City of Broken Bow**

Management's Discussion and Analysis (MD & A)

June 30, 2013

### **Liabilities:**

Current liabilities are current debts that are owed by the Authority and due within 12 months. It is expected that current liabilities will consume current financial resources to satisfy debt.

As of June 30, 2013, current liabilities were \$523,163 as compared to \$219,832, as of June 30, 2012, an increase of \$303,331. The change consisted of increases in current loan liabilities (monies owed to other PHA programs from the state/local (affordable housing) program) of \$431,039, deferred revenues (Capital Grant and Section 8 admin fees) of \$8,811, vendor payables of \$3,837, wage/payroll taxes payables of \$1,086, tenant security deposits of \$938, and accrued compensated absences of \$137 with decreases in payment in lieu of taxes (PILOT) of \$112,991 and other current liabilities (mainly payables between low rent and state/local programs) of \$29,526.

Non-current liabilities are debts that are owed but not due within 12 months. It is not expected that these liabilities will consume the Authority's current financial resources to satisfy the debt.

Non-current liabilities consisted of \$1,237,500 in long-term debt-operating borrowings related to the state/local (affordable housing program), other non-current liabilities (FSS escrow accounts) of \$32,322, and non-current accrued compensated absences of \$35,665. Non-current accrued compensated absences are liabilities for wages such as vacation and sick wages earned but not yet taken.

Non-current assets are assets which are not easily convertible to cash or are not expected to become cash within the next fiscal year.

Non-current assets consisted of \$1,237,500 in notes receivables related to the state/local (affordable housing) program

### **Net Position:**

As of June 30, 2013, the Housing Authority had \$5,688,911 invested in total net position. Of this amount, \$1,579,633 of unrestricted net position may be used to meet the Authority's future ongoing expenses and obligations. Restricted net position of \$31,921 was available for Section 8 Housing Assistance Payments (HAP). The remainder of \$4,077,357 represents the net capital assets of land, buildings, furnishings, leasehold improvements, equipment, and construction in progress.

**Housing Authority of the City of Broken Bow**

Management's Discussion and Analysis (MD &amp; A)

June 30, 2013

**Capital Assets at Year-End**  
 (Net of Accumulated Depreciation)  
 June 30,

	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>Change</u></b>	<b><u>% of Change</u></b>
Land	\$225,269	\$225,269	\$0	0.00%
Infrastructure	\$13,329	\$13,329	\$0	0.00%
Buildings	\$8,161,871	\$8,060,500	\$101,371	1.26%
Furniture & Equipment - Dwell	\$126,808	\$115,028	\$11,780	10.24%
Furniture & Equipment - Admin	\$415,727	\$384,128	\$31,599	8.23%
Leasehold Improvements	\$1,399,164	\$1,383,586	\$15,578	1.13%
Construction in Progress	\$198,888	\$230,897	(\$32,009)	-13.86%
Subtotal	\$10,541,056	\$10,412,737	\$128,319	1.23%
Accumulated Depreciation	(\$6,463,699)	(\$6,212,908)	(\$250,791)	4.04%
<b>Net Capital Assets</b>	<b><u><u>\$4,077,357</u></u></b>	<b><u><u>\$4,199,829</u></u></b>	<b><u><u>(\$122,472)</u></u></b>	<b><u><u>-2.92%</u></u></b>

**Capital Assets:**

Capital assets are long-term tangible assets obtained as a result of past transactions, events, or circumstances and include buildings, equipment, and improvements to buildings and land.

Capital assets decreased \$122,472 due to annual depreciation expense exceeding capital purchases.

During the year, the Authority capitalized \$101,371 in building improvements and \$15,578 in leasehold (site) improvements. Dwelling equipment increased \$11,780 due to purchases of fifteen refrigerators and ten ranges. Administrative equipment increased \$31,599 due to purchases of a Fiat-Allis T-7 dozer and a 2006 Chevrolet truck. Construction in progress decreased \$32,009.

The Housing Authority had \$14,426 in Capital program funds to draw down and spend in the future.

**Debt**

Broken Bow Housing Authority's long-term debt consisted of \$1,237,500 in operating borrowings related to the state/local (affordable housing) program.

<b>Expendable Fund Balance</b>				
	<u><b>2013</b></u>	<u><b>2012</b></u>	<u><b>Change</b></u>	<b>% of</b> <u><b>Change</b></u>
<b>Expendable Fund Balance</b>	<u><b>\$567,090</b></u>	<u><b>\$945,698</b></u>	<u><b>(\$378,608)</b></u>	<u><b>-40.03%</b></u>
<b>Number of Months Expendable Fund</b>	<u><b>7.31</b></u>	<u><b>10.46</b></u>	<u><b>(3.15)</b></u>	<u><b>-30.08%</b></u>

**Expendable Fund Balance:**

The expendable fund balance is a measure of the entity's liquidity. If current assets (less materials inventory and restricted assets) are converted to cash and the Authority pays all current liabilities, the amount of cash remaining is the expendable fund balance. Broken Bow Housing Authority's expendable fund balance decreased \$378,608 due mainly to increases in current liabilities (figures based on 2013 and 2012 FDS information).

**Number of Months Expendable Fund Balance:**

The number of months in expendable funds is a measure of how many months the Authority could operate under current conditions without any additional income. The number of months in expendable funds is calculated by dividing the total expenses for the year, less depreciation, by twelve (12) to arrive at the average monthly expenses. The expendable fund balance is divided by the average monthly expense to arrive at the number of months expendable fund balance. The Authority's number of months expendable fund balance decreased 3.15 months due to decreases in the expendable fund balance (figures based on 2013 and 2012 FDS information).

**Housing Authority of the City of Broken Bow**

Management's Discussion and Analysis (MD &amp; A)

June 30, 2013

**Changes in Net Position**  
For the Year Ended June 30

	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>% of Change</u>
<b>Revenue:</b>				
Tenant Revenue	\$408,719	\$407,331	\$1,388	0.34%
Federal Grants & Subsidy	\$1,166,508	\$1,178,095	(\$11,587)	-0.98%
Investment Income	\$9,349	\$6,538	\$2,811	42.99%
Other Income	\$177,269	\$288,463	(\$111,194)	-38.55%
Gain/Loss on Sale of Capital Assets	\$480	\$840	(\$360)	-42.86%
<b>Total Revenue</b>	<u><b>\$1,762,325</b></u>	<u><b>\$1,881,267</b></u>	<u><b>(\$118,942)</b></u>	<u><b>-6.32%</b></u>
<b>Expenses:</b>				
Administrative	\$353,502	\$405,493	(\$51,991)	-12.82%
Tenant Services	\$5,132	\$15,247	(\$10,115)	-66.34%
Utilities	\$81,513	\$81,633	(\$120)	-0.15%
Routine Maintenance	\$383,994	\$433,523	(\$49,529)	-11.42%
General Expenses	\$91,439	\$126,861	(\$35,422)	-27.92%
Non-Routine Expenses	\$11,886	\$15,967	(\$4,081)	-25.56%
Housing Assistance Payments	\$722,182	\$712,343	\$9,839	1.38%
Casualty Losses	\$3,099	\$6,377	(\$3,278)	-51.40%
Depreciation	\$250,789	\$248,555	\$2,234	0.90%
<b>Total Operating Expenses</b>	<u><b>\$1,903,536</b></u>	<u><b>\$2,045,999</b></u>	<u><b>(\$142,463)</b></u>	<u><b>-6.96%</b></u>
<b>Increase (Decrease) in Net Position</b>	<u><b>(\$141,211)</b></u>	<u><b>(\$164,732)</b></u>	<u><b>\$23,521</b></u>	<u><b>-14.28%</b></u>

**Revenues:**

The Authority has two basic sources of revenues. Rents and other tenant charges and funds received from the Department of Housing and Urban Development (HUD) in the form of operating subsidies and capital improvement grants.

Tenant revenue increased \$1,388 due to increases in tenant rent revenue of \$2,840 with decreases in other tenant revenue of \$1,452.

HUD revenue will often vary from year to year since it is dependent on the federal budget (operating subsidy) and availability and/or use of grant revenues. In 2013, Broken Bow Housing Authority's operating grants, Housing Assistance Payments, and Administrative Fees increased \$123,032 while Capital Grant revenue decreased \$134,619 that resulted in a net decrease of \$11,587.

Investment income increased \$2,811 while other income decreased \$111,194 (due to developer fees received for the state/local (affordable housing) program in 2012). Changes in investment income are generally governed by the amount of monies invested and the rates of returns on those investments.

Unaudited

## **Housing Authority of the City of Broken Bow**

Management's Discussion and Analysis (MD & A)

June 30, 2013

In 2013, the Authority reported \$480 in gains on the sale of capital assets as compared to \$840 in gains, in 2012.

### **Expenses:**

Administrative expenses decreased \$51,991 from \$405,493 in 2012 to \$353,502 in 2013. Administrative salaries decreased \$55,001 and employee benefits decreased \$13,888 due mainly to changes in job responsibilities. Administrative operating expenses increased \$13,800 and audit fees increased \$3,098.

Tenant services expenses decreased \$10,115, from \$15,247 to \$5,132, because more services were provided for residents in 2012 as compared to 2013.

Utilities decreased \$120 which had minimal effects on Broken Bow Housing Authority's 2013 financial statements.

Routine maintenance expense decreased \$49,529 from \$433,523 in 2012 to \$383,994 in 2013. Material expenses decreased \$35,943 due to fewer general upkeep and maintenance repairs. Maintenance contract costs decreased \$10,282 and labor decreased \$5,127 while employee benefits increased \$1,823.

General expenses decreased \$35,442 from \$126,861 in 2012 to \$91,439 in 2013. Payment in lieu of taxes decreased \$22,809, insurance expense decreased \$9,434 (due to decreases in workers' compensation), tenant bad-debt expense decreased \$2,803, and other general expenses decreased \$376.

Non-routine expense decreased \$4,081 due to fewer extraordinary repairs during the year.

Housing Assistance Payments (HAP) expense increased \$9,839 primarily because more applicants were assisted with housing needs during the year.

In 2013, the Authority reported \$3,099 in casualty losses (related to vehicular damages) as compared to \$6,377 in losses, in 2012.

Depreciation expense increased \$2,234 from \$248,555 in 2012 to \$250,789 in 2013.

### **Economic Factors**

The Housing Authority is primarily dependent upon HUD for the funding of operations which will be affected by both federal budgetary decisions and by local economic conditions. The funding of programs could be significantly affected by the 2012 and 2013 federal budget.

**Housing Authority of the City of Broken Bow**

Management's Discussion and Analysis (MD & A)

June 30, 2013

**Contacting the Housing Authority's Financial Management**

Our financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Housing Authority's finances and to show the accountability for the money it receives. If you have questions about this report or wish to request additional financial information contact Frank Meddock, Executive Director, Housing Authority of the City of Broken Bow, 710 East Third, Broken Bow, OK 74728, telephone number (580) 584-6939.

## EXHIBIT A

HOUSING AUTHORITY OF THE CITY OF BROKEN BOW  
BROKEN BOW, OKLAHOMA  
STATEMENT OF NET POSITION  
JUNE 30, 2013

	2013	Memo Only 2012
<b><u>ASSETS</u></b>		
<b><u>Current Assets:</u></b>		
Cash	\$ 370,640	\$ 296,934
Cash - Tenant Security Deposits	21,387	20,449
Cash - Other Restricted	31,921	51,804
Accounts Receivable, Net	211,348	272,820
Investments, Unrestricted	458,129	553,567
Investments, Restricted	83,464	23,554
Inventory, Net	9,318	9,318
Prepaid Expenses	28,749	21,760
Property Held for Resale	987,748	968,039
<b>Total Current Assets</b>	<b>2,202,704</b>	<b>2,218,245</b>
<b><u>Noncurrent Assets:</u></b>		
Accounts Receivable - Long Term	1,237,500	1,237,500
Net Capital Assets	4,077,357	4,199,829
<b>Total Noncurrent Assets</b>	<b>5,314,857</b>	<b>5,437,329</b>
<b>TOTAL ASSETS</b>	<b>\$ 7,517,561</b>	<b>\$ 7,655,574</b>
<b><u>LIABILITIES &amp; NET POSITION</u></b>		
<b><u>Current Liabilities:</u></b>		
Accounts Payable	\$ 6,652	\$ 2,815
Accrued Expenses	470,343	174,189
Tenant Security Deposits	21,387	20,449
Prepaid Tenant Rents	24,781	22,379
Current Portion of Long Term Debt	-	-
<b>Total Current Liabilities</b>	<b>523,163</b>	<b>219,832</b>
<b><u>Noncurrent Liabilities:</u></b>		
Mortgages and Notes Payable	1,305,487	1,495,496
<b>Total Liabilities</b>	<b>1,828,650</b>	<b>1,715,328</b>
<b><u>NET POSITION</u></b>		
Net investment in capital assets	4,077,357	4,199,829
Restricted for debt service	31,921	51,804
Unrestricted	1,579,633	1,688,613
<b>TOTAL NET POSITION</b>	<b>5,688,911</b>	<b>5,940,246</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 7,517,561</b>	<b>\$ 7,655,574</b>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements



## EXHIBIT B

HOUSING AUTHORITY OF THE CITY OF BROKEN BOW  
BROKEN BOW, OKLAHOMA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN TOTAL NET POSITION  
FOR THE TWELVE MONTHS ENDED JUNE 30, 2013

	2013	Memo Only 2012
<b><u>OPERATING REVENUE:</u></b>		
Dwelling Rental	\$ 408,719	\$ 407,331
HUD Operating Subsidies and Vouchers	1,069,788	946,756
Capital Grants	96,720	231,339
Other Income	175,334	289,303
<b>Total Operating Revenue</b>	<b>1,750,561</b>	<b>1,874,729</b>
<b><u>OPERATING EXPENSES:</u></b>		
Tenant Assistance Payments	719,767	712,343
Tenant Services	5,132	15,247
Administration	353,502	405,493
Utilities	81,513	81,633
Maintenance	383,994	433,523
Protective Services	-	-
Insurance Premiums	78,789	88,223
Other General Expenses	27,635	60,982
Depreciation	250,789	248,555
<b>Total Operating Expenses</b>	<b>1,901,121</b>	<b>2,045,999</b>
<b>NET OPERATING INCOME (LOSS)</b>	<b>(150,560)</b>	<b>(171,270)</b>
<b><u>NON-OPERATING REVENUES (EXPENSES):</u></b>		
Interest Income	9,349	6,538
Interest Expense	-	-
<b>NET NON-OPERATING REVENUES (EXPENSES)</b>	<b>9,349</b>	<b>6,538</b>
<b>CHANGE IN NET POSITION</b>	<b>(141,211)</b>	<b>(164,732)</b>
<b>TOTAL NET POSITION, BEGINNING OF YEAR</b>	<b>5,940,246</b>	<b>6,104,978</b>
<b>PRIOR YEAR ADJUSTMENTS</b>	<b>(110,124)</b>	<b>-</b>
<b>TOTAL NET POSITION, END OF YEAR</b>	<b>\$ 5,688,911</b>	<b>\$ 5,940,246</b>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

## EXHIBIT C

**HOUSING AUTHORITY OF THE CITY OF BROKEN BOW  
BROKEN BOW, OKLAHOMA  
STATEMENT OF CASH FLOWS  
FOR THE TWELVE MONTHS ENDED JUNE 30, 2013**

	2013	Memo Only 2012
<b><u>Cash Flows from Operating Activities:</u></b>		
Cash From Dwelling Rentals	\$ 408,719	\$ 407,331
Cash From HUD and Other Sources	1,406,654	2,745,320
Cash Payments to Employees	(251,695)	(320,988)
Cash Payments for Goods and Services	(1,125,344)	(1,495,182)
Net Cash Provided (Used) by Operating Activities	438,334	1,336,481
<b><u>Cash Flows from Capital &amp; Related Financing Activities:</u></b>		
Additions to Capital Assets	(128,318)	(461,213)
Proceeds from sale of Capital Assets	-	-
Changes in Long-Term Debt	(190,009)	(1,189,311)
Interest Paid On Long-Term Debt	-	-
Net Cash Provided (Used) by Capital & Related Financing Activities	(318,327)	(1,650,524)
<b><u>Cash Flows from Investing Activities:</u></b>		
Interest Income	9,349	6,538
Net Cash Provided (Used) by Investing Activities	9,349	6,538
Net Increase (Decrease) in Cash and Cash Equivalents	129,356	(307,505)
Cash & Cash Equivalents, Beginning of Year	946,308	1,253,812
Cash & Cash Equivalents, Prior Year Adjustment	(110,124)	-
Cash & Cash Equivalents, End of Year	\$ 965,541	\$ 946,308
<b><u>Reconciliation of operating income (loss) to net cash provided operating activities:</u></b>		
Net Operating Income (Loss)	\$ (150,560)	\$ (171,270)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	250,789	248,555
(Increase)Decrease in Short Term Accounts Receivable	61,472	1,324,513
(Increase)Decrease in Long Term Accounts Receivable	-	-
(Increase)Decrease in Prepaid Expenses	(6,989)	23,540
(Increase)Decrease in Inventory	-	(1,613)
(Increase)Decrease in Property Held for Sale	(19,709)	173,251
Increase(Decrease) in Accounts Payable	3,837	(25,787)
Increase(Decrease) in Accrued Expenses	296,154	(188,117)
Increase(Decrease) in Tenant Security Deposits	938	311
Increase(Decrease) in Prepaid Rents	2,402	(46,902)
Net Cash Provided (Used) by Operating Activities	\$ 438,334	\$ 1,336,481

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

HOUSING AUTHORITY OF THE CITY OF BROKEN BOW  
BROKEN BOW, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Entity - The Housing Authority of the City of Broken Bow, Oklahoma was organized for the primary purpose of providing low-income housing to the public.

The financial statements of the Housing Authority are prepared in accordance with generally accepted accounting principles (GAAP). The Housing Authority's reporting entity applies to all relevant *Governmental Accounting Standards Board (GASB)* pronouncements. Proprietary funds and similar component units apply to *Financial Accounting Standards Board (FASB)* pronouncements and *Accounting Principles Board (APB)* opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict *GASB* pronouncements, in which case, *GASB* prevails.

Principles Used to Determine Scope of Entity:

The reporting entity of the Housing Authority includes the governing board and all related organizations for which the Housing Authority exercises oversight responsibility.

The criteria used to determine whether the Housing Authority exercises oversight responsibility includes: designation of management, selection of board of directors, financial interdependency, ability to influence financial matters, and scope of public service.

The Housing Authority has determined that no other outside agency meets the above criteria and, therefore, no other agency has been listed as a component unit of the Housing Authority's financial statements.

Basis of Presentation - The financial statements of the Housing Authority have been prepared using the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when the liability is incurred. The financial statements of this audit report were prepared using the following fund types:

Proprietary Fund Types:

Enterprise Funds - Enterprise funds are used to account for the acquisition, operation, and maintenance of the Housing Authority, which are financed primarily by tenant rents. The Housing Authority used an enterprise fund to account for all of its operations.

Property Held for Resale - Property held for resale is stated at cost.

Risk Management - Significant losses are covered by commercial insurance for all significant Authority operations.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America

HOUSING AUTHORITY OF THE CITY OF BROKEN BOW  
BROKEN BOW, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - CASH

The Housing Authority's cash balance and investments consist of demand deposits and time deposits maintained at financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). The Housing Authority may invest funds in accordance with HUD guidelines as referenced by the Financial Management Handbook.

For purposes of the Statement of Cash Flows, the Housing Authority considers all highly liquid investments to be cash equivalents. All certificates of deposit, other time deposits and investments are considered cash equivalents.

Custodial Credit Risk

At June 30, 2013, the Authority held deposits of approximately \$965,541 at financial institutions. The Authority's cash deposits, including interest-bearing certificates of deposit are covered by Federal Depository Insurance (FDIC) or collateralized with securities held by the Authority or by its agent in the Authority's name.

Investment Interest Rate Risk

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The Authority has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.

HOUSING AUTHORITY OF THE CITY OF BROKEN BOW  
BROKEN BOW, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

NOTE 3 - ACCOUNTS RECEIVABLE

All receivables from tenants are for rentals and service charges. These receivables are shown net of an allowance for uncollectible amounts. This amount is estimated based upon historical information. The allowance is \$15,000 at June 30, 2013.

NOTE 4 - CAPITAL ASSETS

Capital assets are valued at cost when purchased and at fair market value when donated. The costs of the assets are depreciated over the estimated useful life of the asset. All items with an estimated useful life of one year or more are capitalized and depreciated using the straight-line method. The Authority does not have a set capitalization threshold, but rather determines capitalization on a case-by-case basis. Depreciation expense for the fiscal year ended June 30, 2013 is \$250,789.

Estimated useful lives of the assets are as follows:

Buildings	40 Years
Site Improvements	20 Years
Equipment	3 to 10 Years

HOUSING AUTHORITY OF THE CITY OF BROKEN BOW  
BROKEN BOW, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

The changes in capital assets are as follows:

	Balance at June 30, 2012	Additions	Deductions	Reclass/ Transfers	Balance at June 30, 2013
Non-depreciable assets:					
Land	\$ 225,269	\$ -	\$ -	\$ -	\$ 225,269
Construction in Progress	230,897	84,939	-	(116,948)	198,888
Total non-depreciable assets	<u>\$ 456,166</u>	<u>\$ 84,939</u>	<u>\$ -</u>	<u>\$ (116,948)</u>	<u>\$ 424,157</u>
Depreciable assets:					
Infrastructure	13,329	-	-	-	13,329
Buildings	8,060,500	-	-	101,371	8,161,871
Furniture, Equipment & Machinery - Dwell	115,028	11,780	-	-	126,808
Furniture, Equipment & Machinery - Admin	384,128	31,599	-	-	415,727
Leasehold Improvements	<u>1,383,586</u>	<u>-</u>	<u>-</u>	<u>15,577</u>	<u>1,399,164</u>
Total depreciable assets	<u>9,956,571</u>	<u>43,379</u>	<u>-</u>	<u>116,948</u>	<u>10,116,899</u>
Less: Accum. Depreciation	<u>(6,212,908)</u>	<u>(250,790)</u>	<u>-</u>	<u>-</u>	<u>(6,463,699)</u>
Total depreciable assets, net	<u>3,743,663</u>	<u>(207,411)</u>	<u>-</u>	<u>116,948</u>	<u>3,653,200</u>
Total Capital Assets, Net	<u><u>\$ 4,199,829</u></u>	<u><u>\$ (122,472)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,077,357</u></u>

NOTE 5 - NOTES AND MORTGAGES PAYABLE

Compensated Absences

As of June 30, 2013, the Authority had \$39,627 of compensated absences. \$35,665.00 of this liability was classified as long term.

Notes payable

The Authority does not have any long-term notes payable.

NOTE 6- ECONOMIC DEPENDENCY

The Housing Authority receives a significant portion of its revenue from funds provided through federal grants. The grant amounts are appropriated each year at the federal level. If significant budget cuts are made at the federal level, the amount of the funds the Housing Authority receives could be reduced significantly, and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds the Housing Authority will receive in the next fiscal year.

HOUSING AUTHORITY OF THE CITY OF BROKEN BOW  
BROKEN BOW, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE 7 - BUDGETARY PROCESS

Pursuant to HUD Guidelines, the Housing Authority adopts a budget annually. The director prepares the budget with consultation by the Housing Authority's fee accountant. The Board of Directors then approves it. Revisions to the budget are made as needed.

NOTE 8 - CONTINGENT LIABILITIES

During the year ending June 30, 2005, the Authority received federal monies passed through the agency of the State of Oklahoma, the Oklahoma Housing Financing Authority. The Authority also received funds from the Federal Home Loan Bank Board. These funds were to be used to construct two low income housing projects. The funds need not be repaid as long as the facilities that are being constructed remain as low income housing. The Authority passed the funds through to two for-profit entities. The for-profit entities are building the facilities using the monies from the Authority and also using tax credits that were awarded the Authority and also passed through to the for-profit entities. The two facilities are owned by the for-profit entities. The tax credits were awarded to the Authority with the provision that they be used to help construct low income housing. The federal funds passed through to the for-profit entities are loans from the Authority to the for-profit entities. If the two facilities are converted to non low income housing the monies are required to be repaid to the Authority from the for-profit entities immediately and the Authority is required to repay the monies to the various granting agencies immediately. These funds are not required to be paid back for 15 years, as long as the facilities remain low income housing. The federal monies totaled \$716,940. Additional federal money in the amount of \$520,560 was distributed during the year ending June 30, 2006. These funds are presented as revenues in the statement of revenues over expenses for the Authority and also as long term accounts receivable. The total amount of long term accounts receivable from such entities as of June 30, 2013 is \$1,237,500. At the end of the 15 year period, the liability from the for-profit entities may be exchanged for the properties. The Authority is the property manager and handles all operations of the two facilities. It is not probable that the Authority will convert the properties associated with the receivable/payable to non-low rent housing and be required to repay the loans.

The Smith Farm Estate was started in September 2010 and completed in September 2011, all funding was approved and obligated before June 30, 2011 but final document closing wasn't until September 2011. The Housing Authority is Managing member of the Smith Farm Estate LLC and owns .01% of the LLC. The Housing Authority holds mortgage in the amount of \$750,000.00 for the HOME, a loan forgivable, at the end of the 15 year compliance period. The Housing Authority does not hold the mortgage on the \$200,000.00 Affordable Housing Program, FHLB, that mortgage is held by Horizon Bank.

HOUSING AUTHORITY OF THE CITY OF BROKEN BOW  
BROKEN BOW, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

Other Contingencies

The entity is subject to possible examinations by federal regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the entity in the current and prior years. These examinations may result in required refunds by the entity to the federal grantors and/or program beneficiaries.

NOTE 9 - RETIREMENT PLAN

The Housing Authority participates in a defined contribution plan administered by the Housing Renewal and Local Agency Retirement Plan. The Housing Authority and the participants are required to contribute 8 ½% and 5%, respectively. For the fiscal year, actual contributions by the Housing Authority and the participants were \$26,350.54 and \$14,218.70, respectively for a total of \$40,569.24. Participating employees shall vest in Employer contributions at the rate of twenty percent per each full year of continuous and uninterrupted service with the Employer.

No Other Post-Employment Benefits are provided by the Authority.

NOTE 10 - INTERPROGRAM ACCOUNTS

Inter-program receivables and payables arise from Inter-program transactions and are recorded by all programs affected in the period in which transactions are executed. These receivables and payables are eliminated for presentation of the financial statements.

NOTE 11 - SUBSEQUENT EVENTS

The Authority did not have any subsequent events through January 28, 2014, which is the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending June 30, 2013.



**HOUSING AUTHORITY OF THE CITY OF BROKEN BOW  
BROKEN BOW, OKLAHOMA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2013**

<b>Federal Grantor/ Program Title</b>	<b>Federal CFDA No.</b>	<b>Agency Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Housing and Urban Development:</b>			
<b>Direct Programs</b>			
Low Rent Public Housing	14.850	OK006	\$ 225,204
Public Housing Capital Fund Program	14.872	OK006	144,589
Housing Choice Vouchers	14.871	OK006	796,715
<b>Total</b>			<b><u>\$ 1,166,508</u></b>

**HOUSING AUTHORITY OF THE CITY OF BROKEN BOW  
BROKEN BOW, OKLAHOMA  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2013**

**NOTE 1 - GENERAL**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards of the Housing Authority of the City of Broken Bow, Oklahoma (the "Housing Authority"). The Housing Authority reporting entity is defined in Note 1 to the Housing Authority's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

**NOTE 2 - BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is present using the accrual basis of accounting, which is described in Note 1 to the Housing Authority's basic financial statements.

**NOTE 3 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

Federal awards revenues are reported in the Housing Authority's basic financial statements as follows:

<b><u>Federal Sources</u></b>	
General	<b><u>\$ 1,166,508</u></b>
Total	<b><u>\$ 1,166,508</u></b>

**NOTE 4 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with generally accepted accounting principles.

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors  
Housing Authority of the City of Broken Bow  
Broken Bow, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in accordance with Oklahoma Statutes, the financial statements of the Housing Authority of the City of Broken Bow, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Broken Bow's basic financial statements, and have issued our report thereon dated January 28, 2014.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Authority of the City of Broken Bow's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the City of Broken Bow's internal control. Accordingly, we do not express an opinion on the effectiveness of Housing Authority of the City of Broken Bow's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of the City of Broken Bow's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

## Purpose of this Report

This report is intended solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Kershaw CPA & Associates, P.C.*  
Kershaw, CPA & Associates, PC

January 28, 2014

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## REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors  
Housing Authority of the City of Broken Bow

### Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of Broken Bow's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Housing Authority of the City of Broken Bow's major federal programs for the year ended June 30, 2013. The Housing Authority of the City of Broken Bow's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Housing Authority of the City of Broken Bow's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and in accordance with Oklahoma Statutes. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of the City of Broken Bow's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does

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not provide a legal determination on Housing Authority of the City of Broken Bow's compliance.

## Opinion on Each Major Federal Program

In our opinion, the Housing Authority of the City of Broken Bow complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## Report on Internal Control Over Compliance

Management of the Housing Authority of the City of Broken Bow is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Housing Authority of the City of Broken Bow's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the City of Broken Bow's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or to detect and correct, noncompliance with a type of compliance requirement of a federal program a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Kershaw CPA & Associates, P.C.*  
Kershaw, CPA & Associates, PC

January 28, 2014

HOUSING AUTHORITY OF THE CITY OF BROKEN BOW  
BROKEN BOW, OKLAHOMA  
SUMMARY STATUS OF PRIOR AUDIT FINDINGS  
JUNE 30, 2013

The prior report on the audit of the financial statements as of and for the twelve months ended June 30, 2012, contained no findings.

HOUSING AUTHORITY OF THE CITY OF BROKEN BOW  
BROKEN BOW, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013

SECTION I - SUMMARY OF AUDITOR'S RESULTS

*Financial Statements*

Type of auditor's report issue: Unqualified

Internal control over financial reporting:

Material weaknesses identified? \_\_\_\_\_yes ☒no

Significant deficiencies identified  
that are not considered to be material  
weaknesses? \_\_\_\_\_yes ☒none reported

Noncompliance material to financial  
statements noted? \_\_\_\_\_yes ☒no

*Federal Awards*

Internal control over major programs:

Material weaknesses identified? \_\_\_\_\_yes ☒no

Significant deficiencies identified  
that are not considered to be  
material weaknesses? \_\_\_\_\_yes ☒none reported

Type of auditor's report issued on compliance  
for major programs: Unqualified

Any audit findings disclosed that are required  
to be reported in accordance with  
section 510(a) of Circular A-133? \_\_\_\_\_yes ☒no

Identification of major programs:  
#14.871 Housing Choice Vouchers

Dollar threshold used to distinguish between  
type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ☒yes \_\_\_\_\_no

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None



# FINANCIAL DATA SCHEDULE

Housing Authority of the City of Broken Bow (OK006)

BROKEN BOW, OK

## Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2013

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$193,055		\$177,585	\$370,640		\$370,640
112 Cash - Restricted - Modernization and Development						
113 Cash - Other Restricted		\$31,921		\$31,921		\$31,921
114 Cash - Tenant Security Deposits	\$17,937		\$3,450	\$21,387		\$21,387
115 Cash - Restricted for Payment of Current Liabilities						
100 Total Cash	\$210,992	\$31,921	\$181,035	\$423,948	\$0	\$423,948
121 Accounts Receivable - PHA Projects						
122 Accounts Receivable - HUD Other Projects						
124 Accounts Receivable - Other Government						
125 Accounts Receivable - Miscellaneous	\$12,355	\$75	\$145,952	\$158,382		\$158,382
126 Accounts Receivable - Tenants	\$7,048		\$16,286	\$23,334		\$23,334
126.1 Allowance for Doubtful Accounts - Tenants	-\$7,000	\$0	-\$8,000	-\$15,000		-\$15,000
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	-\$19,844	-\$19,844		-\$19,844
127 Notes, Loans, & Mortgages Receivable - Current	\$1,838		\$61,779	\$63,617		\$63,617
128 Fraud Recovery						
128.1 Allowance for Doubtful Accounts - Fraud						
129 Accrued Interest Receivable			\$859	\$859		\$859
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$14,241	\$75	\$197,032	\$211,348	\$0	\$211,348
131 Investments - Unrestricted		\$3,364	\$454,765	\$458,129		\$458,129
132 Investments - Restricted	\$428	\$31,894	\$51,142	\$83,464		\$83,464
135 Investments - Restricted for Payment of Current Liability						
142 Prepaid Expenses and Other Assets	\$17,379	\$2,022	\$9,348	\$28,749		\$28,749
143 Inventories	\$9,808			\$9,808		\$9,808
143.1 Allowance for Obsolete Inventories	-\$490			-\$490		-\$490
144 Inter Program Due From	\$26,050	\$428	\$115,412	\$141,890	-\$141,890	\$0
145 Assets Held for Sale			\$987,748	\$987,748		\$987,748
150 Total Current Assets	\$278,408	\$69,704	\$1,996,482	\$2,344,594	-\$141,890	\$2,202,704
161 Land	\$225,269			\$225,269		\$225,269
162 Buildings	\$7,514,756		\$647,115	\$8,161,871		\$8,161,871
163 Furniture, Equipment & Machinery - Dwellings	\$126,808			\$126,808		\$126,808
164 Furniture, Equipment & Machinery - Administration	\$309,301	\$2,325	\$104,101	\$415,727		\$415,727
165 Leasehold Improvements	\$1,335,610		\$63,554	\$1,399,164		\$1,399,164
166 Accumulated Depreciation	-\$6,255,172	-\$1,888	-\$206,639	-\$6,463,699		-\$6,463,699
167 Construction in Progress	\$198,888			\$198,888		\$198,888
168 Infrastructure	\$13,329			\$13,329		\$13,329
160 Total Capital Assets, Net of Accumulated Depreciation	\$3,468,789	\$437	\$608,131	\$4,077,357	\$0	\$4,077,357

## FINANCIAL DATA SCHEDULE

171 Notes, Loans and Mortgages Receivable - Non-Current			\$1,237,500	\$1,237,500		\$1,237,500
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due						
173 Grants Receivable - Non Current						
174 Other Assets						
176 Investments in Joint Ventures						
180 Total Non-Current Assets	\$3,468,789	\$437	\$1,845,631	\$5,314,857	\$0	\$5,314,857
190 Total Assets	\$3,747,197	\$70,141	\$3,842,113	\$7,659,451	-\$141,890	\$7,517,561
311 Bank Overdraft						
312 Accounts Payable <= 90 Days	\$4,607	\$1,483	\$562	\$6,652		\$6,652
313 Accounts Payable >90 Days Past Due						
321 Accrued Wage/Payroll Taxes Payable	\$3,682	\$225	\$4,845	\$8,752		\$8,752
322 Accrued Compensated Absences - Current Portion	\$1,959	\$912	\$1,091	\$3,962		\$3,962
324 Accrued Contingency Liability						
325 Accrued Interest Payable						
331 Accounts Payable - HUD PHA Programs		\$6,409		\$6,409		\$6,409
332 Account Payable - PHA Projects						
333 Accounts Payable - Other Government						
341 Tenant Security Deposits	\$17,937		\$3,450	\$21,387		\$21,387
342 Deferred Revenues	\$15,746		\$9,035	\$24,781		\$24,781
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue						
344 Current Portion of Long-term Debt - Operating Borrowings						
345 Other Current Liabilities	\$15,121		\$5,060	\$20,181		\$20,181
346 Accrued Liabilities - Other						
347 Inter Program - Due To	\$14,616	\$122,671	\$4,603	\$141,890	-\$141,890	\$0
348 Loan Liability - Current			\$431,039	\$431,039		\$431,039
310 Total Current Liabilities	\$73,668	\$131,700	\$459,685	\$665,053	-\$141,890	\$523,163
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue						
352 Long-term Debt, Net of Current - Operating Borrowings			\$1,237,500	\$1,237,500		\$1,237,500
353 Non-current Liabilities - Other	\$428	\$31,894		\$32,322		\$32,322
354 Accrued Compensated Absences - Non Current	\$17,633	\$8,209	\$9,823	\$35,665		\$35,665
355 Loan Liability - Non Current						
356 FASB 5 Liabilities						
357 Accrued Pension and OPEB Liabilities						
350 Total Non-Current Liabilities	\$18,061	\$40,103	\$1,247,323	\$1,305,487	\$0	\$1,305,487
300 Total Liabilities	\$91,729	\$171,803	\$1,707,008	\$1,970,540	-\$141,890	\$1,828,650
508.1 Invested In Capital Assets, Net of Related Debt	\$3,468,789	\$437	\$608,131	\$4,077,357		\$4,077,357
511.1 Restricted Net Assets		\$31,921		\$31,921		\$31,921
512.1 Unrestricted Net Assets	\$186,679	-\$134,020	\$1,526,974	\$1,579,633		\$1,579,633
513 Total Equity/Net Assets	\$3,655,468	-\$101,662	\$2,135,105	\$5,688,911	\$0	\$5,688,911
600 Total Liabilities and Equity/Net Assets	\$3,747,197	\$70,141	\$3,842,113	\$7,659,451	-\$141,890	\$7,517,561

# FINANCIAL DATA SCHEDULE

Housing Authority of the City of Broken Bow (OK006)

BROKEN BOW, OK

## Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2013

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$306,826		\$92,913	\$399,739		\$399,739
70400 Tenant Revenue - Other	\$5,360		\$3,620	\$8,980		\$8,980
70500 Total Tenant Revenue	\$312,186	\$0	\$96,533	\$408,719	\$0	\$408,719
70600 HUD PHA Operating Grants	\$273,073	\$796,715		\$1,069,788		\$1,069,788
70610 Capital Grants	\$96,720			\$96,720		\$96,720
70710 Management Fee						
70720 Asset Management Fee						
70730 Book Keeping Fee						
70740 Front Line Service Fee						
70750 Other Fees						
70700 Total Fee Revenue				\$0	\$0	\$0
70800 Other Government Grants						
71100 Investment Income - Unrestricted	\$40	\$0	\$5,074	\$5,114		\$5,114
71200 Mortgage Interest Income			\$4,235	\$4,235		\$4,235
71300 Proceeds from Disposition of Assets Held for Sale			\$42,000	\$42,000		\$42,000
71310 Cost of Sale of Assets			\$0	\$0		\$0
71400 Fraud Recovery		\$600		\$600		\$600
71500 Other Revenue	\$120,322	\$3,112	\$8,820	\$132,254		\$132,254
71600 Gain or Loss on Sale of Capital Assets	\$480			\$480		\$480
72000 Investment Income - Restricted	\$0	\$0	\$0	\$0		\$0
70000 Total Revenue	\$802,821	\$800,427	\$156,662	\$1,759,910	\$0	\$1,759,910
91100 Administrative Salaries	\$88,084	\$64,781	\$9,177	\$162,042		\$162,042
91200 Auditing Fees	\$11,925			\$11,925		\$11,925
91300 Management Fee						
91310 Book-keeping Fee						
91400 Advertising and Marketing	\$255			\$255		\$255
91500 Employee Benefit contributions - Administrative	\$44,999	\$22,409	\$2,266	\$69,674		\$69,674
91600 Office Expenses	\$26,025	\$2,069	\$732	\$28,826		\$28,826
91700 Legal Expense			\$3,488	\$3,488		\$3,488
91800 Travel	\$2,681	\$1,919	\$2,612	\$7,212		\$7,212
91810 Allocated Overhead						
91900 Other	\$60,957	\$4,618	\$4,505	\$70,080		\$70,080
91000 Total Operating - Administrative	\$234,926	\$95,796	\$22,780	\$353,502	\$0	\$353,502
92000 Asset Management Fee						
92100 Tenant Services - Salaries						
92200 Relocation Costs						
92300 Employee Benefit Contributions - Tenant Services						
92400 Tenant Services - Other	\$750		\$4,382	\$5,132		\$5,132
92500 Total Tenant Services	\$750	\$0	\$4,382	\$5,132	\$0	\$5,132

## FINANCIAL DATA SCHEDULE

93100 Water	\$20,533		\$4,787	\$25,320		\$25,320
93200 Electricity	\$18,059		\$2,106	\$20,165		\$20,165
93300 Gas	\$6,188		\$32	\$6,220		\$6,220
93400 Fuel						
93500 Labor						
93600 Sewer	\$29,808			\$29,808		\$29,808
93700 Employee Benefit Contributions - Utilities						
93800 Other Utilities Expense						
93000 Total Utilities	\$74,588	\$0	\$6,925	\$81,513	\$0	\$81,513
94100 Ordinary Maintenance and Operations - Labor	\$64,830		\$24,823	\$89,653		\$89,653
94200 Ordinary Maintenance and Operations - Materials and Other	\$94,410		\$31,928	\$126,338		\$126,338
94300 Ordinary Maintenance and Operations Contracts	\$76,285		\$46,797	\$123,082		\$123,082
94500 Employee Benefit Contributions - Ordinary Maintenance	\$42,847		\$2,074	\$44,921		\$44,921
94000 Total Maintenance	\$278,372	\$0	\$105,622	\$383,994	\$0	\$383,994
95100 Protective Services - Labor						
95200 Protective Services - Other Contract Costs						
95300 Protective Services - Other						
95500 Employee Benefit Contributions - Protective Services						
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance	\$31,012		\$12,760	\$43,772		\$43,772
96120 Liability Insurance	\$2,870		\$100	\$2,970		\$2,970
96130 Workmen's Compensation	\$14,519	\$4,894	\$688	\$20,101		\$20,101
96140 All Other Insurance	\$7,205	\$3,104	\$1,637	\$11,946		\$11,946
96100 Total insurance Premiums	\$55,606	\$7,998	\$15,185	\$78,789	\$0	\$78,789
96200 Other General Expenses						
96210 Compensated Absences						
96300 Payments in Lieu of Taxes						
96400 Bad debt - Tenant Rents	\$12,650			\$12,650		\$12,650
96500 Bad debt - Mortgages						
96600 Bad debt - Other						
96800 Severance Expense						
96000 Total Other General Expenses	\$12,650	\$0	\$0	\$12,650	\$0	\$12,650
96710 Interest of Mortgage (or Bonds) Payable						
96720 Interest on Notes Payable (Short and Long Term)						
96730 Amortization of Bond Issue Costs						
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$656,892	\$103,794	\$154,894	\$915,580	\$0	\$915,580
97000 Excess of Operating Revenue over Operating Expenses	\$145,929	\$696,633	\$1,768	\$844,330	\$0	\$844,330

## FINANCIAL DATA SCHEDULE

97100 Extraordinary Maintenance			\$11,886	\$11,886		\$11,886
97200 Casualty Losses - Non-capitalized	\$3,099			\$3,099		\$3,099
97300 Housing Assistance Payments		\$719,767		\$719,767		\$719,767
97350 HAP Portability-In						
97400 Depreciation Expense	\$224,509	\$332	\$25,948	\$250,789		\$250,789
97500 Fraud Losses						
97600 Capital Outlays - Governmental Funds						
97700 Debt Principal Payment - Governmental Funds						
97800 Dwelling Units Rent Expense						
90000 Total Expenses	\$884,500	\$823,893	\$192,728	\$1,901,121	\$0	\$1,901,121
10010 Operating Transfer In	\$5,052			\$5,052	-\$5,052	\$0
10020 Operating transfer Out	-\$5,052			-\$5,052	\$5,052	\$0
10030 Operating Transfers from/to Primary Government						
10040 Operating Transfers from/to Component Unit						
10050 Proceeds from Notes, Loans and Bonds						
10060 Proceeds from Property Sales						
10070 Extraordinary Items, Net Gain/Loss						
10080 Special Items (Net Gain/Loss)						
10091 Inter Project Excess Cash Transfer In						
10092 Inter Project Excess Cash Transfer Out						
10093 Transfers between Program and Project - In						
10094 Transfers between Project and Program - Out						
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) or Total Revenue Over (Under) Total Expenses	-\$81,679	-\$23,466	-\$36,066	-\$141,211	\$0	-\$141,211
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$3,737,147	-\$78,196	\$2,281,295	\$5,940,246		\$5,940,246
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors			-\$110,124	-\$110,124		-\$110,124
11050 Changes in Compensated Absence Balance						
11060 Changes in Contingent Liability Balance						
11070 Changes in Unrecognized Pension Transition Liability						
11080 Changes in Special Term/Severance Benefits Liability						
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents						
11100 Changes in Allowance for Doubtful Accounts - Other						
11170 Administrative Fee Equity		-\$133,583		-\$133,583		-\$133,583
11180 Housing Assistance Payments Equity		\$31,921		\$31,921		\$31,921
11190 Unit Months Available	1635	2604		4239		4239
11210 Number of Unit Months Leased	1635	2503		4138		4138
11270 Excess Cash	\$126,443			\$126,443		\$126,443
11610 Land Purchases	\$0			\$0		\$0
11620 Building Purchases	\$71,764			\$71,764		\$71,764
11630 Furniture & Equipment - Dwelling Purchases	\$11,780			\$11,780		\$11,780
11640 Furniture & Equipment - Administrative Purchases	\$0			\$0		\$0
11650 Leasehold Improvements Purchases	\$13,176			\$13,176		\$13,176
11660 Infrastructure Purchases	\$0			\$0		\$0
13510 CFFP Debt Service Payments	\$0			\$0		\$0
13901 Replacement Housing Factor Funds	\$0			\$0		\$0